

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 PA-01 PRS-01 AID-05 CIAE-00 COME-00

EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-01 /083 W

-----240451 021573 /15

R 240316Z FEB 77

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 7170

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

LIMITED OFFICIAL USE SINGAPORE 0743

E.O. 11652: N/A

TAGS: PFOR, ECIN, ASEAN, US

SUBJ: REPORTED ASEAN MEMO ON U.S. TAX DEFERRAL

1. SUMMARY. FEBRUARY 24 LOCAL PRESS REPORT SAYS ASEAN WILL SUBMIT MEMORANDUM IN WASHINGTON CALLING FOR RETENTION OF U.S. TAX DEFERRALS FOR NON-REPATRIATED CORPORATE PROFITS. MEMO, TO BE SUBMITTED BY PHILIPPINE AMBASSADOR, WARNS THAT ASEAN ECONOMIC DEVELOPMENT WOULD BE ENDANGERED BY CHANGE IN DEFERRAL SYSTEM AND SUBSEQUENT DRYING UP OF U.S. FOREIGN INVESTMENT. ARTICLE AT ONE POINT REFERS TO US-ASEAN DIALOGUE "INSTITUTED BY THE AMERICAN GOVERNMENT". END SUMMARY.

2. FEBRUARY 24 "STRAITS TIMES" MORNING DAILY REPORTS THAT ASEAN WILL SUBMIT OFFICIAL MEMORANDUM THROUGH PHILIPPINE AMBASSADOR TO WASHINGTON EDUARDO ROMUALDEZ CALLING FOR RETENTION OF U.S. TAX DEFERRAL SYSTEM FOR FOREIGN CORPORATE PROFITS. STORY APPARENTLY ORIGINATED LOCALLY AND QUOTES MEMORANDUM TO THE EFFECT THAT REMOVAL OF THE DEFERRAL WOULD CURTAIL FLOW OF

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U.S. INVESTMENT, RETARD ASEAN ECONOMIC DEVELOPMENT AND CONTRAVENE THE SPIRIT OF THE U.S.-ASEAN DIALOGUE.

3. ARTICLE POINTS OUT THAT U.S.-ASEAN TRADE ACCOUNTS FOR 20 PERCENT OF ASEAN'S GLOBAL TRADE, AND U.S. INVESTMENT IS 25 PERCENT OF TOTAL FOREIGN INVESTMENT IN THE REGION. CONTINUED INVESTMENT IS CRITICAL IN ORDER TO PROMOTE THE MANY INFANT INDUS-

TRIES IN ASEAN AND PRESERVE SEA POLITICAL STABILITY. QUOTING THE MEMORANDUM, THE ARTICLE CONTINUES, "LIMITS IMPOSED ON THE PRESENT TAX DEFERRAL SYSTEM MAKES IT DIFFICULT FOR ASEAN TO PROMOTE U.S. INVESTMENTS IN THE REGION. AS IT IS, THE TAX REFORM ACT OF 1976 HAS ALREADY REDUCED THE EARNED INCOME EXCLUSION FOR U.S. CITIZENS WORKING OVERSEAS, ABOLISHED THE FOREIGN TAX CREDIT FOR INCOME FALLING UNDER THE EXCLUSION AND TAXED INCOME ABOVE THE EXCLUDED AMOUNT AT THE HIGHER RATES THAT WOULD APPLY IF THE EXCLUDED INCOME WAS SUBJECT TO U.S. TAXES. THIS WOULD...INCREASE CORPORATE COST...AND RETARD THE TRANSFER OF EXPERTISE AND TECHNOLOGY TO ASEAN".

4. ARTICLE AT ONE POINT REFERS TO CURTAILMENT OF TAX DEFERRAL AS "CONTRARY TO THE SPIRIT BEHIND THE U.S.-ASEAN DIALOGUE INITIATED BY THE AMERICAN GOVERNMENT". LATER PARAPHRASE OF MEMORANDUM REFERS AGAIN TO "SPIRIT OF THE DIALOGUE" BUT OMITTS REFERENCE TO U.S. INITIATION. IT IS UNCLEAR, THEREFORE, WHETHER MEMORANDUM ITSELF CONTAINS THAT FORMULATION. HOLDRIDGE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAXES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SINGAP00743
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770063-0774
Format: TEL
From: SINGAPORE
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770213/aaaaalfo.tel
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Litigation History:
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3240097
Secure: OPEN
Status: NATIVE
Subject: REPORTED ASEAN MEMO ON U.S. TAX DEFERRAL
TAGS: PFOR, ECIN, EINV, US, ASEAN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5960c1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
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